

IN RE: KENTUCKY RIVER AUTHORITY

MEETING NO. 141

October 20, 2008
1:00 P.M.
Bush Building
503 Wapping Street
Frankfort, Kentucky

APPEARANCES

Mr. Robert Ware
CHAIRMAN

Mr. Randall Christopher
Judge Executive Ted L. Collins
Mr. Warner J. Caines
Mr. Daryl E. Newby
Mayor Michael D. Miller
Dr. Donald C. Haney
Mr. Paul Gannoe
Proxy for Deputy Sec. Glenn Mitchell
Ms. Valerie Hudson
Proxy for Secretary Len Peters
Mr. R.C. Day
Mr. Rex Morgan
Mr. Tim Hazelette
MEMBERS OF THE KENTUCKY
RIVER AUTHORITY

Mr. Stephen Reeder
EXECUTIVE DIRECTOR

Mr. Don Morse
Mr. David Hamilton
Mr. Earl Gulley
Ms. Sue Ann Elliston
KENTUCKY RIVER AUTHORITY STAFF

CAPITAL CITY COURT REPORTING
TERRI H. PELOSI, COURT REPORTER
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GUESTS PRESENT

Ms. Pat Banks
Mr. John Hack

AGENDA

Call to Order	3
Approval of KRA Minutes #140	3 - 4
Review of Bond Projects - Stephen Reeder and Don Morse	4 - 25
Financial Report - Don Morse	25 - 32
Consideration of Parks/Recreation Subcommittee Recommendation - Bob Ware	32 - 35
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MOTION TO APPROVE MINUTES OF MEETING #140PAGE 3, LINE 22

CHAIRMAN WARE: The first order of business will be the approval of the minutes of our last meeting.

MAYOR MILLER: So moved.

CHAIRMAN WARE: We have a motion.

MR. CAINES: Second.

CHAIRMAN WARE: And a second. All in favor, signify by saying aye. Any opposition by a like sign? Motion carries.

**MOTION TO APPROVE TRANSFER OF \$335,000
TO BOND TRUSTEE AS SECURITY DEPOSIT FOR
THE "RATE STABILIZATION FUND"PAGE 16, LINE 17**

MAYOR MILLER: I will make a motion that we do that.

CHAIRMAN WARE: We've got a motion.

MR. DAY: Second.

CHAIRMAN WARE: And a second. Any further discussion on the motion? If not, all those in favor, let it be known by saying aye. Opposition by a like sign. Motion carries.

**MOTION TO APPROVE THE LEASE AND FINANCIAL
COMMITMENTS FOR THE STATE PROPERTY AND
BUILDINGS COMMISSION PROJECT 90 REVENUE
BONDS.....PAGE 23, LINE 15**

JUDGE COLLINS: Move to approve it in general.

MR. HANEY: Second.

CHAIRMAN WARE: Do you want to do two separate motions?

JUDGE COLLINS: Series 90. Series 90 is the one I make a motion on.

CHAIRMAN WARE: We've got a motion for approving a Series 90 participation. Don, did you second that?

MR. HANEY: Yes.

CHAIRMAN WARE: And a second. Any discussion on that motion? All in favor, say aye. Any opposition? Motion carries.

**MOTION TO APPROVE ENTERING INTO
SERIES 91 BOND.....PAGE 24, LINE 10**

MR. REEDER: We need a motion to approve entering into as a co-lessee a Series 91 bond.

MR. HANEY: So moved.

MAYOR MILLER: Second.

CHAIRMAN WARE: We've got a motion and a second by Mayor Miller. Any discussion? All in favor, say aye. Any opposition? Motion carries.

MOTION TO APPROVE FINANCIAL REPORTPAGE 32, LINE 9

CHAIRMAN WARE: Anybody have any questions for Don? If not, I will entertain a motion to approve the Financial Report.

MR. CHRISTOPHER: So moved.

MR. MORGAN: Second.

CHAIRMAN WARE: It's been moved and seconded. All in favor, say aye. Opposition by a like sign. Motion carries.

**MOTION TO COMMIT \$3,000 TO RIVERKEEPER PROJECT
TO PRODUCE A DVD, CONTINGENT UPON ACQUISITION
OF FINANCIAL COMMITMENT FROM OTHER ENTITIES;
OFFER STANDS FOR A PERIOD NOT TO EXCEED
TWELVE MONTHS; IF FUNDING CAN'T BE ACQUIRED
WITHIN TWELVE MONTHS, OFFER EXPIRESPAGE 34, LINE 18**

CHAIRMAN WARE: But the motion is as follows:

That the subcommittee present to the Board the proposal as outlined by Mr. Morgan and Mr. Miller that the River Authority consider getting a contingent commitment of \$3,000 in keeping with the parameters set for grants and the contingency being upon the acquisition or the commitment of other interested entities to help subsidize and fund the project, and that that offer stand for a period not to exceed twelve months; and if all funding can't be gathered within a twelve-month time frame, that the offer expire.

So, that motion is put before you today for consideration with regard to this request. Ms. Banks' total request was for \$50,000 of

funding. And at a certain point in our discussion, there was some indication that she needed a minimum of \$25,000 to make the project a go at this time.

The subcommittee's recommendation is that we offer up to \$3,000 as long as an adequate cooperating party or parties can be found to subsidize that endeavor.

JUDGE COLLINS: So moved, Mr. Chairman.

CHAIRMAN WARE: We have a motion to approve the recommendation by the subcommittee. Do I have a second on that recommendation?

MR. CHRISTOPHER: Second.

CHAIRMAN WARE: I have a second. Any further discussion? Questions of the subcommittee? Any questions of the Riverkeeper on that motion? If not, I'll call for the vote. All in favor, let it be known by saying aye. Any opposition by a like sign? Motion carries.

MOTION TO APPROVE \$5,000 for 2009

RIVER SWEEPPAGE 57, LINE 16

MS. ELLISTON: So, this year I'm just asking again for a state sponsor, and our logo would be put on the back of all our T-shirts and all the printed material that's distributed throughout the basin.

MR. CHRISTOPHER: So moved.

MR. DAY: Second.

CHAIRMAN WARE: It sounds like we've got a motion and a second.

MS. ELLISTON: And this year it's going to be on June 20th.

CHAIRMAN WARE: Any discussion of the motion? All in favor, say aye. Any opposition?

Motion carries.

MOTION TO ADJOURNPAGE 69, LINE 25

CHAIRMAN WARE: Other than that, I guess we can adjourn this meeting. I'll entertain a motion to adjourn.

MAYOR MILLER: So moved.

MR. HANEY: Second.

CHAIRMAN WARE: We're adjourned.

1 CHAIRMAN WARE: We'll call the
2 141st meeting of the Kentucky River Authority Board to order.
3 It looks like we've got a full turn-out. For the record,
4 Sue Ann, I guess we better call the roll.

5 (ROLL CALL)

6 MS. ELLISTON: We have everyone here
7 today.

8 CHAIRMAN WARE: We're going to modify
9 the agenda a little bit here in a second; but before we get
10 started with anything, I'm not sure if you all have heard
11 about Bill Grier's recent surgery. Sue Ann was telling me
12 this before I left town last week and then I had gotten some
13 e-mails from Don Hassall about Bill.

14 And for those of you that don't know
15 Bill, he is a former Board member for the Authority. He had
16 triple bypass surgery on September 15th. It sounded like he
17 was eager to get out of the hospital and has gotten out of
18 the hospital. He didn't like the food and said the hospital
19 wasn't any place to try to get well. But he's back home and
20 hopes to be counted back to normal in another month or so.
21 So, I just thought I would pass that along to you.

22 The first order of business will be the
23 approval of the minutes of our last meeting.

24 MAYOR MILLER: So moved.

1 CHAIRMAN WARE: We have a motion.

2 MR. CAINES: Second.

3 CHAIRMAN WARE: And a second. All in
4 favor, signify by saying aye. Any opposition by a like sign?
5 Motion carries.

6 We're going to modify the agenda. Don,
7 did Steve tell you we would prefer to do Agenda Item No. 5,
8 Review of Bond Projects, first before your Financial Report?

9 MR. MORSE: Yes. There are some things
10 that sort of flow out of that presentation into the
11 financials.

12 CHAIRMAN WARE: So, we will do that
13 portion of the agenda first. So, Steve, you or Don.

14 MR. REEDER: I'll make some
15 introductory remarks about the bond projects. There's
16 basically two we're talking about today, and the action we'll
17 take will be to approve the general transaction, particularly
18 with respect to the bonds that are Agency fund-supported.

19 There are two bond projects, one for
20 Dam No. 9, and it is a repayment of some anticipation notes
21 that were sold to finance that project. As David will tell
22 you in the Engineer's Report, we're almost through with that
23 project. It's just a matter of months now. So, it's come
24 time to pay back the anticipation notes.

1 So, Agency fund-bonds are going to be
2 sold. And Don is going to explain the technicalities to you
3 and the details of it, but they will be sold to handle that.

4 There will probably be about \$18 million in Agency fund
5 bonds that have been authorized by the Legislature, but they
6 will not be available at this point in time for sale because
7 of market conditions and that sort of thing.

8 When our bonds were sold, they were
9 sold as part of a large General Fund obligation issue, and
10 the General Fund obligation issue will cover Dam No. 3 which
11 we're getting ready to let pretty soon. Probably within two
12 months, that will be ready to go on the street and receive
13 bids for at Monterey.

14 Within that advertisement, of course,
15 will be the two locks, Lock 4 and Lock 3, if there's money
16 available to do that at this point in time.

17 The Financial Management Office in
18 Finance has elected at this point not to sell that \$18
19 million that's been authorized simply because the markets are
20 too risky. And this was a big risk when they sold this one,
21 but it turned out great. We must have been living right
22 because we slipped right in there with a good interest rate
23 on them and they sold real well, the General Fund bonds that
24 the administration put in for ours and other projects.

1 What they did, they didn't put any
2 projects in in that general obligation issue except those
3 that were ready to go. So, we're ready to go. The design
4 is finished. It's all set.

5 We do have an issue with a property
6 owner down there, but that's not going to stop it because any
7 contractor has access from the Henry County side if they
8 can't get in from the Owen County side. And we may have
9 access to that by the time the bids go out. Real Properties
10 upstairs is working on that now.

11 But, at any rate, there's two bond
12 issues we're talking about, but the one that I really want
13 approval on -- and these were sold by the State Properties
14 and Buildings Commission. They were not sold by us. On our
15 bonds, they could have been sold by us. But because we had
16 no prior experience in the market and have no name that the
17 bond people recognize, it was just determined it would be
18 safer to sell them through the State Properties and Buildings
19 Commission.

20 And, technically, according to Finance,
21 we wouldn't even have to have a meeting to approve anything.

22 I just don't think it's very good business to be selling
23 bonds that we're paying for without having you folks approve
24 that. And as far as the General Fund part of it, we wouldn't

1 have to touch that. So, we'll just approve the transaction
2 in general if you agree with it.

3 So, that's what the background of all
4 this is. The bonds have been sold. They sold right quick.
5 They hit it just right and they sold quickly. I guess the
6 closing is either tomorrow or the next day. And, so, that's
7 the reason we wanted to have our meeting prior thereto to
8 discuss this and see if anybody has got any problems with the
9 transaction.

10 With that, I will turn it over to Don.

11 MR. MORSE: I'll hand these out. This
12 is like a prospectus on the stock offering. So, this is what
13 explains the terms and conditions of the bonds being sold to
14 the initial purchasers.

15 These things get a little bigger as
16 time goes by because there's more and more requirements from
17 the security industry as to what you have to disclose to
18 potential buyers. So, you can read that at your leisure.

19 Steve has already explained to you
20 about this being two separate transactions. They are
21 separated for two purposes -- one, the difference in the
22 security, one of them being totally supported by the General
23 Fund and the other one being supported by our Agency
24 receipts.

1 The General Fund transaction, the
2 Finance and Administration Cabinet is acting as a lessee.
3 The State Properties and Buildings Commission is the issuer
4 of the debt as the lessor, and then we are going to be a
5 sublessee, in effect, guaranteeing that we will maintain and
6 keep the project in good condition. And the Finance Cabinet
7 will, in exchange, make the payments of the debt service to
8 the State Properties and Buildings Commission.

9 So, other than that pledge, we really
10 have no further involvement in it. We receive \$17.5 million
11 in net funding from the bond sale which will go into our pool
12 project for maintenance of the dams and will be allocated out
13 at a later point when we get the bids in on Dam 3 and the
14 other components of that project.

15 As you all recall, the appropriation in
16 the last budget for capital projects was in one lump sum to a
17 pool which you and the Capital Projects Oversight Committee
18 then allocate out to specific projects as they become due and
19 get to the point of construction.

20 But that's all of that transaction.
21 That was a \$375 million issue -- a pretty large chunk to
22 place at one time given the market conditions. The net
23 effective rate on that issue was about a 5-1/2% rate. Ours
24 was about 5.8. So, I thought we did rather well in

1 comparison to the General Fund-supported bonds since we were
2 a full credit grade lower than they were on a credit rating.

3 So, that's the nature of that first
4 transaction. We'll get \$17.5 million. Once we get ready to
5 go to the project, we're out and really have no further
6 involvement with the debt.

7 MR. HANEY: Now, exactly what--maybe
8 not exactly. The \$17.5 million, what does that cover? I
9 know you said it covers general operations.

10 MR. MORSE: It doesn't specifically get
11 allocated to any particular project. It goes back into a
12 pool to be allocated at a later date. Our next upcoming
13 project is Dam No. 3 and the two locks.

14 MR. HANEY: This doesn't have anything
15 to do with 9?

16 MR. MORSE: No, sir.

17 MR. REEDER: One of the reasons, even
18 though it's not written down as a requirement anywhere where
19 it goes, one of the reasons that we were allowed to
20 participate in this General Fund bond issue is because we had
21 three projects that were designed and ready -- two locks and
22 one dam.

23 That was sort of a standard that
24 Financial Management used was what you had ready to go

1 because they didn't want to obviously sale bonds for some
2 project that had another year or two worth of design work to
3 do on it. And, so, we had ours ready to go. And, so, that's
4 the benefit of being where we are.

5 MR. MORSE: The other project which is
6 supported by our revenues, Project 91, is going solely to pay
7 off the notes that we approved last November to interim
8 finance the construction cost on Dam No. 9.

9 There are some specifics about this
10 project I want to go over with you that we had to make
11 pledges in order to get the credit rating that we did, and I
12 don't think they're too onerous, and in some cases, they may
13 actually be to our advantage.

14 I want to back up a moment. Do you all
15 understand who the players are in the transaction with the
16 State Properties and Buildings Commission?

17 Debt obligations of the Commonwealth
18 are normally approved by a voter referendum. If it's a true
19 general obligation bond, according to our Constitution, the
20 voters have to approve the State going into debt. That gets
21 to be rather onerous after a time period and wait until the
22 next election to get someone to approve you doing debt
23 financing.

24 So, back in the late forties, '48 or

1 '49, they created this vehicle called State Properties and
2 Buildings Commission and it is the issuer of debt that's
3 supported by lease revenues. And lease revenues can come
4 either from direct General Fund appropriations or they can
5 come from actual fee revenue or outside-agency revenue like
6 ours is.

7 So, they are acting as the issuer.
8 They also have oversight provisions over all other debt
9 issuers in the state such as Housing Corporation, Student
10 Loan, Turnpike Authority, people of that nature.

11 So, they're the oversight entity.
12 Their membership includes basically all the constitutional
13 officers other than the Commissioner of Agriculture, I guess.
14 So, they are the high-profile, debt-issuing entity in this
15 state.

16 MR. REEDER: These entities like
17 Properties and Buildings Commission and the Turnpike
18 Authority, the Supreme Court has always approved them as
19 being legitimate because they always had a test case to test
20 whether or not they were for real or not.

21 But they're like a public corporation
22 and that's how you get around and the State has for a long
23 time got around this provision, as Don was talking about, to
24 have a requirement to have a referendum on a bond issue.

1 The old bond issues, even the road bond
2 issues, you had to have a vote on it. And I think the last
3 one, Don, wasn't the last one back when Louie Nunn was
4 Governor maybe, something like that?

5 MR. MORSE: The last general obligation
6 issue was the completion of the interstate highway systems.

7 MR. REEDER: The whole system I guess
8 at that time. But since then, they've gone to using these
9 what they call--a lot of people refer to them as a legal
10 fiction, but they are public corporations and the bond
11 markets have bought into it and accepted it because generally
12 the full faith and credit of the State is behind it anyway
13 through one of these leases. So, that's the way that works.

14 We have the right, the River Authority,
15 we have the right to do this on our own, too, except that
16 they thought in this volatile type market, we didn't have
17 enough experience to get a very good rating.

18 In 2000, when Dr. Haney was here and he
19 was involved in the legislation, in 2000, we overhauled that
20 legislation. We had the right at that time; but when I
21 rewrote that part of it for the Senate and the House over
22 there, I put some different words in there.

23 I put those magic words that they
24 always look for. Didn't call it a public corporation and

1 didn't say it was a body politic. There's words that they
2 look for for the Supreme Court to make it legal if it ever
3 gets tested.

4 The only reason we're not doing it is
5 just because of the market. Once this sale goes through,
6 then, people in the New York markets are going to know who we
7 are; and, then, thereafter, it's going to be probably a lot
8 easier, particularly when things ease up a little bit.

9 MR. MORSE: So, anyway, this instrument
10 has been around for a long time and there's never been a
11 default with the State Properties and Buildings Commission
12 since 1950. I remember that's when they financed the Capitol
13 Annex Building. I don't remember. I was a year old.

14 However, to get our credit rating
15 approved, when we did our notes last fall, we at that time
16 passed resolutions by the Board and approved the lease
17 agreements and all the transactions necessary to take out the
18 notes when they came due.

19 They don't really come due until next
20 April. However, short-term interest rates have kind of gone
21 haywire just as the regular financial markets of late. So,
22 it's a good time for us to get out rather than let the thing
23 go on until next April to mature.

24 So, I'll go over the specific security

1 features with you. And I would like approval of one item
2 because we have to actually transfer funds tomorrow in
3 relation to this.

4 The first item they asked us for is
5 they got a little bit concerned about how stable our revenues
6 were. I've told you time and time that our revenues off this
7 fee system can go up or down 10, 11% from one year to the
8 next, mostly depending on weather conditions. If you have a
9 drought, you're going to have high demands. If you have a
10 wet season, you're going to have a low demand.

11 Then there's also been some things that
12 happened particularly with some of our bigger users like
13 Kentucky American. There were certain time periods during
14 our history when they barely used the reservoir system out on
15 Richmond Road. In other years, they got quite a bit of use
16 out of it. Well, every drop of water they get out of those
17 reservoirs is less that they pull from the river and is
18 subject to this fee.

19 They basically try to balance that off
20 against the cost of pumping water from the river which is
21 essentially about twenty miles away versus their cost of
22 extra chemicals to treat the water in the reservoir.

23 So, depending on the cost of power and
24 the cost of chemicals, they decide which one they're going to

1 utilize the most. And, then, of course, if we've got a dry
2 season, the reservoirs are limited anyway.

3 But they were concerned about how
4 stable our revenues were. So, they're asking us to fund
5 what's called a rate stabilization fund. That's shown on the
6 statement that you have in your packages, the front page of
7 which shows how they got to the amount of debt that we have
8 here, the \$15,720,000.

9 At the top of the page, it shows the
10 original issue discount coming off of the par amount. That's
11 simply a marketing tool where you discount the face value of
12 the bonds when you sell them to your retail customers so that
13 they have a little cushion should there be a swing in
14 interest rates before they can get the deal settled.

15 And, so, that goes to the original
16 buyer. It doesn't come to us. It just really calculates
17 into your effective borrowing cost.

18 The second item there is this equity
19 contribution fund. It's shown on your statement as \$425,000
20 which is what we estimated it at the time of the issue. It
21 is now lowered to \$335,000 based on 25% of maximum annual
22 debt service.

23 So, they're asking us to put up 25% of
24 what we would pay them in debt service on the bonds as a

1 security fund. We're providing this from current cash that
2 we have in our Tier II fee account, and these monies will
3 have to be transferred to the Bond Trustee. The bank will
4 act as the go-between between the issuer and the actual bond
5 holder to secure their position and make the payments to them
6 for the interest and principal.

7 So, we have to transfer these funds to
8 the Bond Trustee tomorrow on the settlement date, and I would
9 like your approval to do that. It's something that we've
10 already kind of made plans to as a part of this transaction,
11 but I don't want to move any funds around without you knowing
12 it in advance.

13 It's not that we've got a new cost.
14 We're just transferring monies from the State Treasury where
15 they're being held now to the bank on behalf of the Trustee.
16 They will hold the money for us; and should there not be any
17 shortfalls in payments, it's going to be available in the
18 future and we can pay off the debt or it will be used for
19 whatever purpose you want to use it for at that time. It
20 will be invested and the income will accrue to the account.
21 So, we're not really losing anything, just transferring who
22 holds the money.

23 MR. CHRISTOPHER: We do have enough
24 funds to withdraw this from hereto and still be able to make

1 our---

2 MR. MORSE: Yes, we're still fine on
3 that. I will show you how it affects our balances when we
4 get into the Financial Report, but it's not going to hurt us
5 any in the current year.

6 MAYOR MILLER: I will make a motion
7 that we do that.

8 CHAIRMAN WARE: We've got a motion.

9 MR. DAY: Second.

10 CHAIRMAN WARE: And a second. Any
11 further discussion on the motion? If not, all those in
12 favor, let it be known by saying aye. Opposition by a like
13 sign. Motion carries.

14 MR. MORSE: And the second thing that
15 they asked us to do is, to ensure we've got enough money to
16 repay them, they want us to pledge that at least on future
17 issues, that we will always show them that we've got revenue
18 in excess of what our debt service cost is going to be.

19 When we did our rate adjustment back in
20 April based on the transaction with the note issue, we agreed
21 at that time that the rate would produce revenues 125% of
22 what the estimated debt service was going to be.

23 We got that lowered a bit down to 115%
24 in this transaction. So, that's a plus for us when we get to

1 do the next financing. At that time, if we have to do a rate
2 adjustment, we only have to adjust it to the level that will
3 produce 115% of coverage rather than 125.

4 It really doesn't have any impact on us
5 right now. We've already assured that we've got coverage by
6 the rate adjustment you've done, but it does lessen the
7 impact in the future on our fee payors. So, that was a
8 positive for us, but I do want you to be aware of that.

9 In fact, we're going to be producing
10 excess every year because of that. We can use those excess
11 cash revenues either to fund start-up costs on future capital
12 projects or offset the amount of debt that you're going to
13 issue in the future and let it accumulate until we get to the
14 next financing and issue less in bonds at that
15 time and use your cash for the project then. But that's
16 something we have to maintain as we go further into the
17 future.

18 The third thing that we had to do,
19 you'll notice on your Sources and Uses of Funds' statement,
20 we had to fund the debt service reserve out of the proceeds
21 of these bonds. That's the maximum debt service per year
22 that you will pay as you repay these bonds -- \$1,323,000.

23 Those funds will be held in the Trustee
24 Bank. They go to them tomorrow when we settle on the bonds.

1 They will be invested for your behalf, and our interest
2 earnings on those amounts will offset our payments in the
3 future. So, we will have a little shuffling around. The
4 actual payment schedule in here will be reduced somewhat from
5 the investment of those monies.

6 And then when we get to the last year
7 of the bond payoff twenty years out, this will make the last
8 year's payment. So, we will only have a 19-year debt rather
9 than a twenty.

10 The other things involved on that
11 statement while you've got it out is the issuance expenses,
12 which is the cost of printing up your little booklet there
13 and the fee that the Office for Financial Management charges
14 us.

15 I don't know if you're familiar with
16 that part of the Finance Cabinet, but they are a separate
17 division and are an office attached to the Secretary in the
18 Finance and Administration Cabinet. They act as the staff to
19 the Properties and Buildings Commission and advise all
20 agencies on their debt issues and investments. Those are the
21 people that really put this together and I give them credit
22 for getting us to this point.

23 And the rest of this, \$156,000, that's
24 cost of doing business with Wall Street. That's their

1 profit. And then you've got a small rounding factor there.
2 Bonds are issued in \$5,000 multiples and you've always got an
3 adjustment, but we figure that will come back to us as
4 additional proceeds.

5 So, we got from a \$14,025,000 note
6 issue to \$15,725,000 long-term debt, and that's how we got
7 there.

8 The last security feature that I wanted
9 to mention is that debt service payments on the bonds
10 themselves are only semi-annual. You pay the principal off
11 annually and you make your interest payments every six
12 months.

13 You've got a schedule of that behind
14 this statement that shows what the bondholders get paid. And
15 the schedule behind it shows how our payments are to be made.

16 We have to make payments quarterly.
17 They weren't comfortable with us holding our fee collections
18 which come in to us on a quarterly basis and then paying them
19 at the end of six months. They wanted the money as soon as
20 it came to us.

21 So, forty-five days after the billing
22 cycle on our fees, we have to make a payment to the Trustee
23 equal to basically a fourth of the upcoming year's interest
24 and principal for next year.

1 Now, this first year we get a little
2 break on that. There's no principal payment on the bonds
3 until April of 2010. So, we don't have to make a principal
4 payment this fiscal year. Well, we'll make one quarterly
5 payment in June, but the others are just interest payments.
6 So, rather than paying out \$1.3 million this year, we will
7 only pay about \$720,000. So, we'll have some excess cash in
8 flow in this year which will catch up next year and from
9 there on out.

10 That's about all I can tell you right
11 now, if anybody has any questions. I will make a note.
12 We'll get into this when we have the Financial Report, but
13 I'm telling you it's a good time to get out of this note
14 issue.

15 Our interest rates on the notes are
16 calculated weekly but paid monthly. They're based on an
17 index that indicates a tax-exempt interest cost in the
18 market. We've been in a real favorable position on that.

19 The first week of September, our
20 interest cost was just a little over 2%. The last week of
21 September, it was over 8%. So, that's how crazy the markets
22 have gone and that why I say it's a good time to get out of
23 that vehicle and pay it off.

24 It will actually not be callable until

1 December 4th. Terms that we set up on it, you can't pay it
2 off until that date which is after this settlement. So, we
3 will continue make interest payments up to that point.

4 We should have excess money there for
5 payments on the note after we get the principal paid off. My
6 estimate right now would be somewhere in the range of about
7 \$350,000 that we'll get a refund on when we pay the notes off
8 on the 4th of December.

9 CHAIRMAN WARE: Questions for Don or
10 Steve? We had the one motion, Don, on the source of bonds
11 for Project 91. Were you all looking for a motion with
12 respect to Board authorization to proceed with the General
13 Fund obligation bonding activity?

14 MR. REEDER: We really need a motion,
15 in my judgment, to approve the entire transaction, ours as
16 well as the General Fund part of it, although the General
17 Fund part of it is really more of a moot point because we're
18 only a small part of that. We've got no control of it, but I
19 think we ought to be on record as approving it.

20 CHAIRMAN WARE: How do you want to form
21 that motion for the record?

22 MR. HANEY: Do you want us to vote and
23 you formulate the motion?

24 MR. MORSE: I guess you would approve

1 the debt financing and the financial documentation behind it.

2 You've got to execute some documents. You may want

3 something that gives you comfort on that.

4 CHAIRMAN WARE: You're there to give me
5 comfort on that, Don.

6 MR. REEDER: Probably a separate one on
7 the Series 90 and Series 91. What do you think, Don?

8 MR. MORSE: I'm sorry?

9 MR. REEDER: Approval of the Series 90
10 and the Series 91, maybe a separate one for the two.

11 MR. MORSE: Approval of the financing
12 and our entering into the lease for the transaction.

13 MR. REEDER: Right, the Series 90 being
14 the General Fund part of it.

15 MR. MORSE: It's really the only
16 document we're executing is the lease itself to agree to make
17 these payments. They're really debt service payments, but
18 we're calling them lease payments.

19 CHAIRMAN WARE: Well, we're
20 participants in both 90 and 91, right?

21 MR. MORSE: Well, in 90, we're a
22 sublessee to the Finance Cabinet, and we don't make any
23 payments on the interest or principal of the bonds. We make
24 no payments at all. The Finance Cabinet is seeking an

1 appropriation in the future to make the debt service payments
2 and they will handle that. They're the primary lessee.

3 CHAIRMAN WARE: So, just we receive the
4 funds.

5 MR. MORSE: Yes. We agree to receive
6 the funds, expend the money to their limits and maintain the
7 project.

8 MR. REEDER: I think we approve the
9 Series 90 in principal. That's all we have to do on that
10 one. That's the General Fund part of it.

11 JUDGE COLLINS: Move to approve it in
12 general.

13 MR. HANEY: Second.

14 CHAIRMAN WARE: Do you want to do two
15 separate motions?

16 JUDGE COLLINS: Series 90. Series 90
17 is the one I make a motion on.

18 CHAIRMAN WARE: We've got a motion for
19 approving a Series 90 participation. Don, did you second
20 that?

21 MR. HANEY: Yes.

22 CHAIRMAN WARE: And a second. Any
23 discussion on that motion? All in favor, say aye. Any
24 opposition? Motion carries.

1 Now, a similar motion then is necessary
2 for Project 91?

3 MR. REEDER: Project 91 which will be
4 approval to enter into the sublease.

5 MR. MORSE: Actually, we're a
6 co-lessee.

7 MR. REEDER: We need a motion to
8 approve entering into as a co-lessee a Series 91 bond.

9 MR. HANEY: So moved.

10 MAYOR MILLER: Second.

11 CHAIRMAN WARE: We've got a motion and
12 a second by Mayor Miller. Any discussion? All in favor, say
13 aye. Any opposition? Motion carries.

14 Do you want to move on at this point,
15 Don, to the Financial Report, if you both are comfortable
16 with what we did on the bond projects?

17 MR. MORSE: I didn't sign anything.

18 MR. CHRISTOPHER: I understood that one
19 is all through the Finance Cabinet anyway. So, we don't have
20 to worry about that. We just spend.

21 MR. MORSE: There are certain rules on
22 these funds. Because it falls around tax exempt bonds, they
23 have to be expended during a certain time frame, basically
24 two years, and the reinvestment of those monies is restricted

1 as to the amount you can earn on it based on what the bond's
2 interest cost was. So, that's the only thing.

3 And the Finance Cabinet will monitor
4 that for us. All we have to do is move the project along
5 with those monies spent within a two-year time frame.

6 CHAIRMAN WARE: Well, you didn't sign
7 anything, but let the record show that I know where he lives.

8 MR. MORSE: I wouldn't steer you wrong.
9 The Finance Reports, you've got three months' worth in your
10 packages.

11 We handed out a revised September
12 statement. And the purpose of that was to show the impacts
13 of this bond issue and how that changed our budget items.

14 The Project 90 bonds that funded this
15 upcoming project, we're a little short of what we had
16 originally planned on funding.

17 So, what I'm trying to do in this
18 report is find out all of the available sources that might be
19 available this year to help round out that project and to
20 take it as far as we can take it when we put it to bid.

21 If you will turn to the second page of
22 the September revised statement, it shows our general
23 operations account. We didn't really change any of that on
24 this revised statement, but I do want to note that our Tier I

1 cash balances have been carried forward this year.

2 We're pretty excessive and we had
3 planned on that to a certain extent because, in the last
4 budget, we intended to use some of this excess to fund one of
5 our capital projects, that being the interim measures at Dam
6 10 to stabilize that lock structure. So, we planned for part
7 of it. We even carried forward a little more than what we
8 had planned to.

9 Then you also notice that our projected
10 revenue this year is more than we're spending for our actual
11 operations cost. We got caught up in the same cutback plan
12 for operating budgets this year as everyone else, even though
13 we had our own revenue source.

14 So, they cut us back basically to
15 \$781,000 in operating expenses. That still is about \$35,000
16 less than what we had available last year. Then we've had to
17 absorb on top of that all the increases in employee benefits
18 and escalation of energy costs and those sort of things.

19 So, we're showing right now, if we go
20 ahead and fund the project at Dam 10, we're going to end up
21 with a cash balance at year end of a little over \$400,000.

22 Now, because of our quarterly billing
23 system, we need to keep a cash balance in there equal to
24 about a fourth of our operating expenses each year. So, that

1 would be \$200,000.

2 So, I think we could utilize another
3 \$200,000 from this source if we needed to for the capital
4 project fund; or at your discretion, I guess, if you've got a
5 pressing need for increasing your operating expenses, that
6 would be available for that purpose.

7 But we've got a big need in capital
8 projects right now. So, I'm trying to free up as much as we
9 can for that at your discretion.

10 Page 3 of the report shows where we are
11 on these Tier II fee revenues. What I did on that is just
12 change the expenditure side on debt service back from what we
13 had estimated debt service this year and what our actual
14 payments are going to be -- the \$700,000.

15 I've also included on the line item for
16 inter-fund transfers that money we have to transfer to the
17 Bond Trustee to set up that first security fund. And the
18 total of those is \$1,035,000.

19 We are still going to end up with a
20 fairly significant cash balance at the end of the year. We
21 knew we were going to have some anyway because of that
22 coverage factor, that we have to produce more revenue than
23 our debt service needs. But because the debt service was
24 lowered even further, the projected balance has gone up.

1 Again, we need to maintain those
2 quarters' payment on the bonds ahead, I think. We've had a
3 few problems in collections I think we've got straightened
4 out now. But with that 45-day window that we've got from the
5 date we send the bill out, to get all the money collected and
6 then transmitted to the Bond Trustee, there's not a lot of
7 time.

8 So, my suggestion to you would be let's
9 collect the stuff one quarter in advance so we've always got
10 that much in the bank, and then we're not dependent on
11 someone missing a payment to us or something getting fouled
12 up and us not being able to pay the bonds. That would kind
13 of sink our ship in future financing, and that would be my
14 recommendation to you.

15 If we maintain that, we would need a
16 balance of \$415,000 at year end. So, taking that away from
17 the projected balance, we're going to have a little over
18 \$800,000 of excess money that we could apply to another
19 purpose this year and still be safe on our bond payments.

20 If you will turn to the next page, Page
21 4, no changes here. This is just a recap of our lock
22 operations' account which is General Fund-supported.

23 The only thing to note is, again, this
24 got hacked along with everyone else. We're down probably

1 25% below the budget we had two years ago for this program.

2 If we have any kind of a major repair
3 to do out at one of the locks, if you were to try to finance
4 any kind of a major equipment purchase, we could have to tap
5 some of our fee revenues to supplement the program this year.

6 It's going to be reasonably tight.

7 So, in consideration of how you free up
8 money for projects, you may want to keep that in the back of
9 your heads as to whether you want to reserve something to
10 supplement the lock operations.

11 Then we go into our capital projects,
12 what we are calling water storage enhancements. It's
13 basically Dams 9 and 10. The only activity out here for Dam
14 10 this year is that transfer we talked about, the 625. At
15 this time, I really don't have any budget for that because we
16 haven't done the design or the bid-out on the cost.

17 So, the expenditures that you see here
18 basically relate only to the Dam 9 project at this point.
19 They don't have a plan, per se, for Dam 10. We will get to
20 that later in the year, but what you are looking at here is
21 the remaining obligations for finishing up the project at Dam
22 No. 9.

23 We do have an uncommitted balance of
24 \$720,000. During the last three months, we had to do a

1 change order for engineering that increased that contract
2 that took our contingencies down a bit.

3 And Steve and David may talk about
4 other contingencies considered potential extra costs on that
5 project to finish it up. But at this time, I wouldn't say
6 there's any extra money there for any other purpose in
7 finishing Dam 9.

8 The next page, the structural stability
9 study, that's essentially complete other than declaring the
10 report final. They're holding back a payment to the engineer
11 of \$49,000 until they determine that it is complete.

12 And other than that, we have almost
13 \$60,000 there of uncommitted funds that you could reallocate
14 at this point. I don't think there's going to be an
15 additional cost to finish that report that we know of.

16 CHAIRMAN WARE: When will we get a copy
17 of that?

18 MR. MORSE: We've gotten a preliminary
19 copy.

20 MR. HAMILTON: Jim Maggard -- his
21 office is just down the hall here -- he just got his final
22 copy today. So, we probably got ours today as well.

23 MR. MORSE: Page 7, it shows our project
24 for Lock 3 and 4 and Dam No. 3. Why we changed all this is

1 to show you the change in the revenue, bond revenue coming
2 into the budget of \$17,500,000. We did have carryforward
3 funds which were basically for the design cost on the
4 project.

5 And the budget on expenditures is for
6 the Dam 3 replacement only. This doesn't at this time
7 include the estimated cost of renovating the two locks. We
8 wanted to show you that we--we'll talk about the locks later
9 on, but right now I'm not sure if we're going to have enough
10 funds to do that.

11 It depends on how the bids come in, of
12 course, and how you reallocate your money, but you're going
13 to have \$1.9 million of funding in excess of the estimated
14 cost of Dam 3 only at this point. So, that enters into the
15 equation. And when we see what the bids are, we'll see what
16 we can and cannot do.

17 Of course, the last page just brings up
18 the contract obligations. The only new item there is we
19 signed an agreement with the Auditor of Public Accounts for
20 about \$11,000 to do our annual audit. We didn't really have
21 much choice in that matter. We're required to do it by law,
22 and the State Auditor legally has first call on doing the
23 audit and they set the price.

24 To recap all the things I told you, if

1 we took the excess out of Tier I of \$200,000, the excess out
2 of Tier II of \$800,000, just a little bit out of the \$60,000
3 of that structural study, and the funding for Dam 3 and the
4 locks that was above just the cost of Dam 3, you've got a
5 little over \$3 million of potential additional funding for
6 capital projects this year, and that is still not enough of
7 the estimated cost of one of these locks as they're designed
8 at this point.

9 So, you've got that available. If you
10 go in the equation when you get the bids in, unless we get a
11 lower bid than what the estimates are right now, we will not
12 be able to do one of those alternates for the locks.
13 Hopefully, we get a new bid, though.

14 CHAIRMAN WARE: Anybody have any
15 questions for Don? If not, I will entertain a motion to
16 approve the Financial Report.

17 MR. CHRISTOPHER: So moved.

18 MR. MORGAN: Second.

19 CHAIRMAN WARE: It's been moved and
20 seconded. All in favor, say aye. Opposition by a like sign.
21 Motion carries. Thanks, Don.

22 The next item on the agenda is the
23 results of a meeting on October 1 of the Parks and Recreation
24 Subcommittee. I had at our last full meeting assigned that

1 task to that subcommittee because it didn't fit clearly with
2 any of our subcommittees.

3 But we had a proposal before us to
4 consider funding of a DVD, and that proposal came from the
5 Riverkeeper, Ms. Pat Banks, for up to \$50,000 to develop a
6 DVD that could be used in conjunction with some of her
7 activities and also possibly in conjunction with promotion of
8 the river for the Authority's purposes.

9 So, on October 1st, several of us sat
10 down with Ms. Banks and we heard a presentation from Pat on
11 their proposal. And then we had a fairly circuitous
12 discussion on that particular proposal and the funding
13 alternatives that might exist for that.

14 Just for everybody's information, you
15 should have a list of all our subcommittee members; but
16 Randall Christopher is the Chairman of that particular
17 subcommittee.

18 Randall was not able to attend that
19 particular meeting. So, I sat in for Randall as the Chair.
20 Mike Miller, Tim Hazelette, Rex Morgan, Valerie Hudson and
21 Glenn Mitchell attended that meeting along with Steve and
22 staff.

23 And I can let the other subcommittee
24 members provide any input that they want to to this process,

1 but basically we tried to get an understanding of what this
2 DVD was going to provide to the Authority.

3 And there were several questions
4 regarding the content of the proposed DVD and how it might
5 impact the River Authority's perceived position on issues
6 within the entire river basin and how it might affect our
7 relationship with our stakeholders.

8 There were discussions about how it was
9 perceived with similar requests, particularly via our grant
10 program every year, and most of you all have sat through
11 discussions of that process.

12 We also heard from Don and Steve with
13 regard to our budgetary capabilities at this point in time.
14 And on October 1st, we were looking at fairly significant
15 limitations to what we could provide for an endeavor of this
16 particular undertaking.

17 Making a long story short, we had a
18 motion that was made by Tim Hazelette, and I'll just read the
19 following motion, and this is what that subcommittee is
20 providing to the full Board for their consideration at this
21 time.

22 And Pat is here today. So, she can
23 also answer questions by the other Board members with regard
24 to this motion.

1 But the motion is as follows: That the
2 subcommittee present to the Board the proposal as outlined by
3 Mr. Morgan and Mr. Miller that the River Authority consider
4 getting a contingent commitment of \$3,000 in keeping with the
5 parameters set for grants and the contingency being upon the
6 acquisition or the commitment of other interested entities to
7 help subsidize and fund the project, and that that offer
8 stand for a period not to exceed twelve months; and if all
9 funding can't be gathered within a twelve-month time frame,
10 that the offer expire.

11 So, that motion is put before you today
12 for consideration with regard to this request. Ms. Banks'
13 total request was for \$50,000 of funding. And at a certain
14 point in our discussion, there was some indication that she
15 needed a minimum of \$25,000 to make the project a go at this
16 time.

17 The subcommittee's recommendation is
18 that we offer up to \$3,000 as long as an adequate cooperating
19 party or parties can be found to subsidize that endeavor.

20 JUDGE COLLINS: So moved, Mr. Chairman.

21 CHAIRMAN WARE: We have a motion to
22 approve the recommendation by the subcommittee. Do I have a
23 second on that recommendation?

24 MR. CHRISTOPHER: Second.

1 CHAIRMAN WARE: I have a second. Any
2 further discussion? Questions of the subcommittee? Any
3 questions of the Riverkeeper on that motion? If not, I'll
4 call for the vote. All in favor, let it be known by saying
5 aye. Any opposition by a like sign? Motion carries.

6 MR. CHRISTOPHER: I want to thank Bob
7 for chairing for me that day. I apologize for my absence and
8 to the committee itself, and I thank the committee for the
9 work they did.

10 CHAIRMAN WARE: We will have an
11 Engineer's Report from Dave Hamilton.

12 MR. HAMILTON: I'd like to begin with
13 the Dam 9 project. Like Steve mentioned earlier, we're
14 moving right along and it won't be long before they start
15 wrapping things up.

16 The latest project time line that
17 they've given us -- and this will be updated on Thursday when
18 we have our monthly progress meeting -- that's when they
19 update their project schedule -- but the last one they
20 submitted has substantial completion of the Dam 9 project,
21 which is more or less everything but site clean-up, is
22 scheduled for March 4th of 2009, just slightly behind their
23 scheduled contractual completion date of February 18th.

24 Like I said, that's likely to change

1 come Thursday this week when we have our monthly progress
2 meeting -- probably not substantially but give or take seven
3 days.

4 As far as the project goes, they poured
5 all the full-diameter cells, all eight of them, and all of
6 the arccells, all seven arccells, essentially completing most
7 of the new dam. The next major piece will be the closure
8 cell which is basically the concrete portion that ties into
9 the Madison County side where we have a steep rock bluff or
10 palisade.

11 And one item dealing with that is the
12 contractor, C.J. Mahan, looked into some possible design
13 changes where that closure cell ties into the cliff on the
14 Madison County side.

15 The proposal they came up with which
16 alters the design slightly actually has a cost savings to the
17 River Authority of just slightly over \$203,000. It's
18 \$203,494.

19 They have proposed at this point to
20 the River Authority to split that as part of the value
21 engineering package which would allow a cost savings to the
22 River Authority of \$101,747.

23 Stantec Engineering has already
24 reviewed their proposal. As far as a design standard or a

1 design comparison, you're not really losing or gaining
2 anything structurally. It's just simply a different design,
3 but they didn't see any problems with it structurally,
4 maintenance-wise or anything like that.

5 But the one thing we want to decide on
6 was if we accept their proposal, what kind of cost split
7 would we be looking at. Like I said, they had proposed a
8 50/50 split. They would receive 50% of the cost savings of
9 that \$203,000 and the River Authority would receive 50%.

10 Well, the Finance Cabinet doesn't have
11 anything set in place for value engineering that they use on
12 their other projects. So, Steve and I kind of looked into it
13 a little bit.

14 The Corps of Engineers generally uses a
15 45/55 split. Fifty-five goes to the contractor and 45 goes
16 to the federal government. And Steve checked with some of
17 the folks he knows with Transportation, and FHWA also uses a
18 50/50 split on their value engineering.

19 So, Steve and I really didn't see a
20 whole lot of trouble going along with a 50/50 split.
21 Ultimately, though, it will be back up to the Finance Cabinet
22 since it's their contract.

23 In talking with them, I think they may
24 be interested in going for a little bit better deal for the

1 River Authority than 50%. So, it's probably something we
2 will be discussing in the next couple of days.

3 MR. REEDER: Just for the benefit of
4 those not in the business, I'll tell you what value
5 engineering is. It's a bonus that's allowed.

6 If the contractor allows for value
7 engineering, it's a bonus of the contractor. If he can get
8 the project owner and the consultant engineer to agree with
9 it, it is a bonus for the contractors to give the project
10 owner a cheaper and better way to do something that's in the
11 contract.

12 It's a federal concept that probably
13 originated twenty years ago or something like that, and all
14 federal agencies have adopted it. I guess we adopted it in
15 Transportation at least twenty years ago. It's not used a
16 whole lot but it's there.

17 And, so, as Dave said, what we were
18 concerned with, C.J. Mahan, the contractor, came up with a
19 better way to do that last cell that's on the land side, and
20 it turned out that the design consultant and the construction
21 supervisor agreed with that. It was a \$200,000-plus savings.

22 It has to be a savings and it has to be
23 at least a better way to do it. And, so, that's what it is.

24 And, of course, we're concerned about, while the Finance

1 Cabinet put it in the contracts, they don't have a written
2 standard here that says what the split will be, what the
3 agency will get and what the contractor gets.

4 But as Dave said, we checked around.
5 The Corps of Engineers uses 45 for the agency and 55 for the
6 contractor. And the Federal Highway Administration uses
7 50/50. So, 50/50 is a fair assessment of it, but that's what
8 value engineering is.

9 MR. HAMILTON: And that number is
10 subject to change. That \$203,000 cost savings is what the
11 contractor, C.J. Mahan, has submitted. Stantec, our engineer
12 on the project, might review that number and might see a
13 little bit more cost savings there.

14 So, that number isn't set in stone, but
15 I think the biggest thing we will need to come up with in the
16 next few days is what that split will be.

17 One other possible change order coming
18 up is the contractor again expressed an interest in another
19 possible change when they got into looking at removal of the
20 steel lock gates at Dam 9.

21 In the original contract, as part of
22 our permit with the Corps of Engineers, we had to go through
23 the State Historical Preservation Office. They didn't
24 really require too much of us. The main thing was we did a

1 black and white photo documentary of the Lock and Dam 9 site.

2

3 But one of the things that SHPO did
4 require of us was that we not destroy the lock gates. They
5 didn't say we had to do anything with them as far as donate
6 them to a museum or do anything like that. They just didn't
7 want us cutting them up. They said you could put them up on
8 the river bank if you wanted to.

9 The reason why we didn't just leave
10 them out there is they tend to rust out. And eventually
11 where they're anchored back in the walls and the current
12 grabs a hold of them, then, they eventually end up in the
13 river channel, as we've seen, and Earl can attest to that
14 happening upriver where they were anchored many years ago.

15 Well, as I said, the contractor
16 expressed some interest in maybe revisiting that issue of
17 whether or not they could destroy or disassemble those lock
18 gates before taking them out.

19 The reasoning there was especially on
20 the lower gates, one, they couldn't get the crane real close
21 to the lock gates. And the sheer weight of them was going to
22 require an extra large crane down at the project site,
23 something like ten tractor-trailer loads of crane parts just
24 to get the large-enough crane to get it in there.

1 So, at our last monthly meeting, they
2 expressed this interest to, look, is there any way we can at
3 least ask. At that point, there wasn't a whole lot of
4 interest from Stantec in pursuing it. I think they were kind
5 of fearful that they didn't want to open up a Pandora's box
6 as far as the permits go. You're never exactly sure what you
7 might come back with.

8 But Steve and I were fairly interested
9 in it. From our side, there's really no interest in
10 preserving them. As far as laying them on the bank, it's
11 just another thing to have to mow around or weed-whack around
12 them in that case.

13 So, at our request, Stantec did ask
14 SHPO if they could reevaluate that. We really weren't that
15 optimistic. But it turns out, when they looked at it, they
16 were kind of flabbergasted with why they requested to save
17 the gates in the first place.

18 So, we've almost got a free rein on
19 disposing of the gates any way we wish.

20 MR. REEDER: Well, the reason Stantec
21 didn't want to revisit it is because they had been consulted
22 down at 5, 6 and 7 when we put those concrete barriers in
23 there. And we were going to take the gates off and it was a
24 big issue to them. They made us leave them on there, weld

1 them up and leave them on there. They're still a liability,
2 but welded up they're not quite so bad, I guess.

3 So, I told them on this one, I said,
4 yeah, let's open it. When Dave and I talked to them, we said
5 let's open it back up. If they want something, we'll cut a
6 piece of it out of there and take it up to the museum or do
7 something like that, but you don't want to leave those things
8 around there and have to spend no telling what to bring a
9 crane down here from Ohio somewhere that requires however
10 many pieces you said and you go to all that expense to do it.

11 So, when they were asked, they didn't
12 have an objection. Well, why did they ask us then?

13 CHAIRMAN WARE: Cut them up in small
14 pieces and send them to them with re-assembly instructions.

15 MR. REEDER: The bottom line, the
16 contractor is going to cut them up and give us credit on it.

17 MR. HAMILTON: Scrap price of steel
18 being what it is, the number tossed around at our last
19 monthly meeting was \$20,000.

20 At that point, they were saying we
21 might be able to interest SHPO, say, look, if you will let us
22 scrap them, we'll give you the \$20,000 in scrap money. But I
23 think at this point, we will pursue it and see if we can get
24 a credit back to the River Authority. Now, what that

1 final amount is we'll see.

2 One thing we are looking at is make
3 sure there's not going to be any kind of lead paint issues.
4 I know Earl had said back in the day, he used to slap it on
5 there, no mask or anything. Of course, he's healthy as can
6 be, but we are looking at that as far as the lead issues go
7 just to make sure.

8 Anything else on Dam 9?

9 Possible change orders that might be
10 coming down the pipe, the first couple that I talked about
11 were a benefit to us. These two might not be.

12 One of them would be the amount of
13 concrete that was spec'd out. When Stantec designed the
14 project, they drilled the pooh out of the place, but you
15 can't drill every single spot where they're going to be
16 putting concrete. It's just cost-prohibitive.

17 And the bedrock has been slightly
18 deeper than what they had originally anticipated. So, the
19 amount of concrete that fills those cells has been a little
20 bit more than what they anticipated.

21 MR. REEDER: For Paul Gannoe's benefit
22 in case he hadn't heard it -- Paul is the head of contracting
23 -- this is a different issue than the other contract issue
24 about the bulging of the cylinder. This is a different

1 thing. It's a depth issue.

2 MR. HAMILTON: Right. With the bulging
3 thing is, too, and that was brought up probably six months
4 ago, was that when they drilled their sheetpiling cells,
5 these are 52-foot diameter cells consisting of probably 115,
6 120 individual sheetpiles that interlock with each other.
7 Well, when they poured the concrete, those cells expanded
8 slightly.

9 And there was some discussion by the
10 contractor -- no official request for a change order -- but
11 they said that they were looking into how much extra concrete
12 they had to pour into those cells to account for that
13 expansion.

14 Well, Stantec maintains that the River
15 Authority shouldn't be charged for that, that they should
16 have accounted for it. I think they would maintain, however,
17 that the depth of the bedrock could possibly be a bona fide
18 change order.

19 And, so, both of those are still
20 hanging out there. Like I said, there hasn't been an
21 official change order request. It's just been something that
22 Stantec has mentioned just so that we can be thinking about
23 it along the way so they don't just hit us with a change
24 order out of the blue.

1 The other possible thing, and this just
2 came up I guess late last week, Steve had talked to Craig
3 Avery over at Stantec about some seepage through one of the
4 cells. This is kind of a new thing. So, we'll find more out
5 about it this week. I was out of the office last week, but I
6 will report on that at the next meeting as we find out more
7 information about it.

8 As I said, the next monthly meeting
9 will be on Thursday of this week. And, so, we'll find out a
10 lot more information about the project schedule and any other
11 change order information.

12 So, are there any questions on the Dam
13 9 project?

14 MR. HANEY: What is the change in
15 hooking it into the outcrop on the Madison County side?

16 MR. HAMILTON: The biggest cost-savings
17 was in order to keep the seepage down, they were going to
18 drill overlapping shafts into the bedrock and then fill those
19 with concrete.

20 Originally, there were two rows of them
21 on the upstream and downstream side, and their proposal
22 essentially has one set of drilled shafts down the middle.
23 So, that's your biggest cost-savings.

24 And a lot of that came about when the

1 way the drilled shafts were arranged and the contractor, C.J.
2 Mahan, was looking for a subcontractor to drill those for
3 them, it turned out to be a lot more difficult the way it was
4 originally laid out, and that's why the costs were so high
5 and that's why they started possibly looking at an
6 alternative to Stantec's design.

7 MR. HANEY: They didn't run into any
8 solutioning, did they, in the limestone?

9 MR. HAMILTON: Not as far as Stantec's
10 drilling. Of course, Mahan hasn't really started over there
11 yet. They've been directed not to do anything that's opposed
12 to the original design until everything is decided, yeah, we
13 want to go ahead with this change order. So, the contractor
14 hasn't actually done any drilling over there yet.

15 MR. HANEY: Did 9 have any history of
16 leaking under the dam?

17 MR. REEDER: No.

18 MR. HAMILTON: Not substantially, not
19 like where you have at 8. In fact, I remember comparing 9
20 and 10. The bedrock was in much better shape at 9 than it
21 was at 10.

22 MR. REEDER: You don't have the karst
23 areas under there that you do at 8.

24 MR. HAMILTON: The auxiliary dam, of

1 course, is founded on rock- and timber-cribbing foundations.

2 So, you get a lot of seepage over on that side. And you can
3 see that now that they've got the four-bay above the
4 auxiliary dam cut off. That little area between the
5 auxiliary dam which is a little further downstream and the
6 new dam is slowly draining down.

7 So, you've got upstream leakage cut off
8 but you've still got leakage/seepage at that auxiliary dam.
9 So, that's why that pool in between the new and the old dam
10 is starting to drop. Now, that's just the four-bay in front
11 of the auxiliary dam. It's not between the main dams.

12 MR. HANEY: Thank you.

13 CHAIRMAN WARE: You mentioned seepage
14 in one of the new cells?

15 MR. HAMILTON: Yeah.

16 CHAIRMAN WARE: Is that seam connecting
17 the---

18 MR. HAMILTON: Well, we were trying to
19 figure that out this morning. Like I said, we just got our
20 window early last week. It's in Cell 2, which I have to look
21 back at the plans. I know Cell 1 had a rock fill. Cell 1 is
22 actually way up. If you remember being down there at the
23 site, Cell 1 is the one that's way up there on the bank and
24 it's actually got a rock fill bottom.

1 I'm trying to remember if the arccell
2 and the Cell 2 have that rock fill bottom as well or not. If
3 that's the case, it could be seeping through, the sheetpiling
4 seeping through that rock or it could be a seam.

5 MR. REEDER: I was called about that I
6 think Friday morning, last Friday morning by Craig Avery from
7 Stantec. We don't know a lot about it yet. And, so, all he
8 wanted to do was apprise me of it and ask for permission to
9 involve Mahan, the contractor.

10 Apparently, they did something a little
11 different on that one. I'm not sure what. So, we've just
12 got to put the pieces together. So, what does it cost to fix
13 it? I mean, that's what I care about.

14 So, we don't know. It could be a
15 couple hundred thousand dollars. But, now, if somebody
16 changed that design from what it was, then, I'm not very
17 interested in paying for it.

18 CHAIRMAN WARE: You don't want to go
19 through too many freeze/thaw cycles.

20 MR. REEDER: Yes. We just built it.

21 MR. HAMILTON: We'll definitely know
22 more at our next meeting. We probably could find out a lot
23 more on Thursday.

24 MR. GANNOE: David, has there been any

1 discussion with Stantec on the change on that connector cell,
2 the Madison County, about professional liability if Mahan
3 designs that and then it's part of the project? You know,
4 the rest of the project is covered by Stantec's professional
5 liability insurance. How does that---

6 MR. REEDER: Well, Stantec will have to
7 approve it.

8 MR. HAMILTON: They will have to
9 approve it.

10 MR. GANNOE: Do they stamp the
11 drawings?

12 MR. HAMILTON: That will be something
13 that we will definitely have to look into.

14 MR. REEDER: It will have to have
15 Stantec's name on it one way or the other or it doesn't go
16 through. So, it's our job to make sure that happens, Paul.
17 Mahan wouldn't be liable for it. You're right.

18 MR. HAMILTON: If there are no other
19 questions on Dam 9, the other project is to report Dam 3
20 status.

21 I believe at our last meeting, we had
22 several parallel items going on to finish that up as far as
23 the design goes. One of the main ones was the environmental
24 permits. Those are all in hand now for all three projects,

1 the dam at Dam 3 and the lock at Lock 3 and the lock at Lock
2 4. So, all three of those have been finalized.

3 The other item is the landowner on the
4 Monterey, the Owen County side. We're just dealing with one
5 property owner there, and the Finance Cabinet, Real
6 Properties has just begun negotiating with that property
7 owner. So, we'll see how that shapes out.

8 I don't know how much detail you want
9 to get into there, but basically Real Properties made an
10 appraisal of an access easement, a temporary easement where
11 construction activities would take place and a permanent
12 easement where part of the new dam will actually rest on on
13 that property owner's property.

14 And in talking with Steve this morning,
15 they have just this last week had negotiated with him.

16 MR. REEDER: What will happen here is
17 very simple. That's not going to stop it. Our negotiations
18 with this property owner is not going to make any difference
19 about the progress of the bid letting because what will
20 happen is this, is that we will have the plans or proposals
21 dictate which side of the river that the contractor can work
22 from and wants to work from or stage his equipment.

23 We own everything on the Henry County
24 side. What we are negotiating is the Owen County side. It

1 would obviously allow the contractor more flexibility if he
2 could walk in to either side of it and work out his work
3 plan.

4 But, still, if we don't have right-of-
5 entry at the time we're going to let it and the contractor
6 wants to stage or work from the Owen County side, the
7 contractor will do what contractors always do. They will
8 make their own arrangement with the guy on the Owen County
9 side.

10 We ultimately will have to still
11 acquire certain of those properties where that cell sits and
12 some things of this nature, whether we have access to it or
13 not. I feel certain that Finance will work that out. Well,
14 they will work it out.

15 I hope they don't have to condemn the
16 man because he's very easy to get along with and deal with,
17 and we'll be going in and out of there or somebody will for
18 the next thirty years working on this thing.

19 But at the same time, it's not going to
20 impede the progress of the bid letting because the contractor
21 can always, if there's not any access to it from the Owen
22 County side and that's where he wants to work, then, he can
23 go down there and do some favor for him or pay him something
24 on the side, which is completely legal, and go right on, if

1 it means that much to him.

2 So, that's what is going to happen
3 there, but that won't affect any progress with anybody.

4 MR. HAMILTON: So, we're waiting for
5 the real estate issue to work itself out and then the final
6 design of the actual dam. Essentially, Stantec has submitted
7 to the River Authority and to the Finance Cabinet basically a
8 final set of plans for our review and to get back with them
9 for any comments that we have on them, but essentially to
10 finalize those.

11 Steve and I were talking about that
12 this morning. We're typically looking at probably two to
13 four weeks unless there's some major comment or change that
14 we would want them to have, which at this time we don't see
15 anything major.

16 And then as far as getting that to the
17 Finance Cabinet for bid letting, you're probably looking at
18 another four to six weeks. So, you're probably looking at
19 about two months to actually have that bid out.

20 We're not necessarily concerned with
21 getting this project rolling since we're kind of coming up on
22 the off season for river construction, but we are interested
23 in getting it out there so we know what kind of bid we get
24 and what kind of money we've got that will affect these other

1 projects, how much is left over from Lock 3, Lock 4 and any
2 other kind of projects.

3 MR. REEDER: Depending on how it all
4 shakes out, we really need that bid to at least know by the
5 first of the year where we are because Financial Management
6 is already after Don wanting to know how we're going to spend
7 the money and the rest of the money, any money left over.
8 And there may not be any money left over. We don't know
9 that.

10 So, we almost have to have that bid
11 before we can make any decisions. So, it's more important
12 for us to push on and get that bid for that reason than to go
13 to work because you can't go to work in the dead of winter
14 out there.

15 MR. HAMILTON: And we are going to be a
16 little more proactive this time than we were at Dam 9 as far
17 as contacting possible contractors. We've got a short list
18 of probably ten to fifteen contractors that we know of that
19 do this type of work that we will actually contact and let
20 them know that this bid package is being put together.

21 We've also looked into the possibility
22 of advertising it in some national publications, but
23 definitely we're looking into being more proactive, possibly
24 get a little bit better spectrum of bids than we did at Dam

1 9.

2 Of course, at Dam 9, we only had two
3 different companies bid on it. In the final, we had probably
4 a dozen or so that applied for the bid package but only two
5 that ultimately submitted a bid on it.

6 Another item is the Dam 5 access road
7 that we have coming up. As you know, we maintain that small
8 Lock 5 road that goes down to the lock and essentially
9 maintain that right-of-way.

10 There's two areas on that road that are
11 becoming impassable. You can still drive a car kind of
12 around them. We've got some pretty severe rutting. We've
13 contacted a local asphalt and paving company out of Salvisa
14 which is not too far from Lock 5 and are looking at repairing
15 probably about 200 to 300 feet of that roadway.

16 CHAIRMAN WARE: That's across the Sharp
17 farm?

18 MR. HAMILTON: Yes. You've got one
19 patch that is probably 50, 60 feet and then another patch
20 that's on closer down towards the lock that's probably about
21 another 40 or 50 feet. The contract cost is less than
22 \$5,000. So, we're just treating it as a small purchase
23 contract. It's just over \$4,800.

24 MR. REEDER: It's one of those deals we

1 inherited from the Corps of Engineers when we took ownership
2 of the property because there's an agreement in there must
3 keep the road in passable condition, which the Corps did.
4 It's a public road but it's not a county road.

5 Now, the county has done some work for
6 us before, but we always paid the county back. So, we had
7 the county act as a contractor.

8 The last time we did it, we did it in
9 conjunction with the project at 5, 6 and 7 when the cutoff
10 walls were put in. And when they got through with it, they
11 obviously tore it up a little bit worse. And, so, they
12 secured a contractor and we paved it and now it's given away
13 again.

14 So, it's a hill scenario with bad
15 drainage to it, but it's one of those things that the Corps
16 did forever and ever and we inherited their obligations to
17 keep these folks who live there out of the mud, I guess you
18 could say.

19 CHAIRMAN WARE: Give them a platform to
20 feed their cattle.

21 MR. REEDER: Yeah, he feeds a lot of
22 cattle on that road, that's for sure.

23 MR. HAMILTON: That's all I have for
24 the Engineer's Report unless there's any questions.

1 MR. HANEY: I have a question on
2 information. I'm behind on all this. I'd like to catch up
3 as soon as I can. What is the status of a crest gate at 9?

4 MR. REEDER: The status of the crest
5 gate at 9 is that out of this money we're talking about, the
6 Board has already approved the design and the permitting of
7 it, and we intend to go ahead and begin design of that if
8 there's any money left out of this.

9 MR. HANEY: After you get the bids.

10 MR. REEDER: Right. That's where we
11 are.

12 MR. HANEY: Do you think there will be?

13 MR. REEDER: There will be enough for
14 that. I told Finance that's one thing I did want because we
15 were committed to it.

16 CHAIRMAN WARE: Does that include the \$3
17 million that Don was talking about earlier? Would that be
18 available for that purpose?

19 MR. REEDER: ER: Yeah, I think that's
20 what we're talking about. Yeah, that's what we're talking
21 about, if it's available.

22 CHAIRMAN WARE: Does anybody have any
23 more questions for David? Thanks, Dave, for your report.

24 The next item on the agenda, Sue Ann is

1 going to talk to us about the 2009 River Sweep.

2 MS. ELLISTON: It's just that time of
3 year again to get ready for the 2009 River Sweep. Last year
4 we had about 29 counties that participated in the Kentucky
5 River Basin. We don't have all the status yet as far as how
6 much garbage we collected or how many miles of river banks
7 that we cleaned up.

8 The program is still going good. We
9 still have a lot of volunteers. We had probably 150
10 volunteers down at Fort Boonesborough State Park which is one
11 of our biggest areas that we cover. There's not as much
12 trash, nothing like 15 years ago. So, it is making an impact
13 along with everything else that goes along with this --
14 mandatory garbage collection -- and I think people are just
15 becoming more aware that their garbage isn't the place to put
16 it.

17 But each year, the Board has donated
18 \$5,000 to provide our volunteers with T-shirts and bags.
19 Sponsors have dwindled down. Of course, in these times,
20 everything has. So, we did not give gloves last year; but
21 most of the counties that I work with, they get them from
22 their local Wal Marts or wherever.

23 So, this year, I'm just asking again
24 for a state sponsor, and our logo would be put on the back of

1 all our T-shirts and all the printed material that is
2 distributed throughout the basin.

3 MR. DAY: If Randall moves, I'll
4 second.

5 MR. CHRISTOPHER: So moved.

6 MR. DAY: Second.

7 CHAIRMAN WARE: It sounds like we've
8 got a motion and a second.

9 MS. ELLISTON: And this year it's going
10 to be on June 20th.

11 CHAIRMAN WARE: Any discussion of the
12 motion? All in favor, say aye. Any opposition? Motion
13 carries.

14 Steve, have you got a report?

15 MR. REEDER: This is really sort of
16 dovetailing with David's report.

17 We've got a list and you all have seen
18 it in the last couple of meetings. In fact, we approved a
19 list at the last full meeting that gives me the authority to
20 do projects within this need study and subject to approval of
21 the Board who select them.

22 But we've got about \$30 million worth
23 of work that was done by the Stantec report, and we just now
24 got the final Stantec report. It came in Friday afternoon.

1 It's still in the box, but it's the same basically as the
2 draft with some revisions in it.

3 But there's a list of projects in there
4 that some people would style them as Band-Aid projects.
5 They're not complete replacements but they are a little more
6 than Band-Aid projects the way they're described and include
7 the cost of engineering and they're a little over \$30
8 million.

9 So, what I've asked David to do along
10 with Stantec, our consultant, is sit down with that and take
11 our current six-year plan that we're required to turn in to
12 the Budget Office every year, and, in concert with that and
13 according to priority, try to even out the projects that the
14 Authority will be doing maybe on a ten-year basis or so.

15 And we ought to have that done pretty
16 soon, and that will be something we can give to the
17 Legislature in addition to the six-year plan. When anybody
18 says what do you plan to do -- well, here it is. This is
19 what it's going to cost.

20 And I've asked David to pare some of
21 those down because I thought two or three of them were
22 excessive, and I think the consultant agrees that they might
23 be. For example, on Dam No. 1, the dam is about ready to
24 fall in. It's the worst dam there is.

1 Three is getting replaced, but they
2 serve nobody up there except they keep a navigation stream
3 and we don't want to lose them. We want to buy some time for
4 them until we can figure out whether to replace them or not,
5 but you don't need to spend \$15 million on them because,
6 rather than do that, we would be better off building a new
7 dam up there somewhere and replace both of them.

8 But David has got a concept that the
9 consultants bought in on to still do about the same thing but
10 not spend a whole lot of money on it. And there are several
11 like that that we're going to do. We've pared some down.
12 Dam No. 12 we've got a similar kind of a problem above
13 Irvine.

14 And, so, we've got some things like
15 that that we're looking at. And he will put that into a plan
16 with a price tag on it. We'll have to put it in 2008
17 dollars, of course, but it's got the engineering built into
18 it.

19 And there may be some we're going to
20 look at to see if this \$18 million that the Legislature
21 authorized, which we will really have no problem getting that
22 reauthorized because it's Agency money, but it's left-over
23 money from Dam No. 9 because it was going to have some other
24 stuff in it.

1 So, it was a way that the Financial
2 Management Office decided to do it as to why they didn't sell
3 that as versus selling the general obligation bonds or
4 letting us have all of it, really. And I guess with the
5 prices that we've got on those things, on second thought,
6 maybe they wish they had sold.

7 But one thing we probably couldn't do
8 that the administration would want to do and that is we
9 really didn't know how quick we could react to some of that.
10 We could spend it and obligate it but we can't get it
11 necessarily on the street that quick. So, we've got to go
12 through that list.

13 In addition to making the list and
14 prioritizing it and putting it in a schedule, we have to go
15 through the list and see just how long the engineering will
16 take on it. Some of it is pretty abbreviated. Some of it is
17 not a whole lot.

18 And if that \$18 million becomes
19 available, we might want to move on some of those, and it
20 could before the biennium is up. You know, we just don't
21 know that with the current conditions in the country. They
22 can correct themselves about as quick as they went bad.

23 But that's what we're doing on that,
24 and that's very important. And it will be a ten- or

1 twelve-year plan rather than just a standard six that we've
2 got out there that we're required to have and it will address
3 everything in that book.

4 So, we're looking forward to getting
5 that done and seeing just what kind of time window you have
6 to be able to react to any of that stuff if, say, they come
7 to us tomorrow and say, hey, we're going to sell the rest of
8 this stuff or sell some portion of it.

9 So, we'll do that as we can, but we'll
10 have the plan anyway to throw out there.

11 CHAIRMAN WARE: As far as the
12 Chairman's Report, let me pass along some information I
13 obtained in early September.

14 I attended a meeting, actually a
15 subcommittee meeting of the Bluegrass Water Supply
16 Commission. They're definitely in a transition now. This
17 subcommittee was to try to vocalize directions to the full
18 Commission with regard to the mission and mission statement
19 of the Bluegrass Water Supply Commission.

20 There's a pretty obvious lack of
21 enthusiasm by many of those attending. I think they are
22 fairly deflated now after they couldn't participate in the
23 construction of at least a portion of the facility that the
24 Kentucky American Water Company is building in Pool 3.

1 So, I don't know to what extent the
2 Commission is going to continue. Mayor Birdwell was chairing
3 this particular subcommittee and there was some initial
4 discussions about how to wrap up some of the old business
5 that was still on the table, deciding what contracts might
6 still be open and how they were going to repay anything that
7 they owed.

8 Another issue is whether they were
9 going to seek reimbursement or repayment from Kentucky
10 American Water Company for a large portion of the engineering
11 study that they had been responsible for. I think they were
12 going to seek the advice of their legal rep, Damon Talley, on
13 that particular issue.

14 One thing I think that will probably
15 interest this group on their discussion of thoughts of how
16 they might transition into the future, a couple of the items
17 directly affect our business.

18 There seemed to be consensus that if
19 the Commission continued, that it could be an advocate for
20 state legislation that would allow this Authority to assess
21 withdrawal fees for out-of-basin transfers, which I think is
22 an issue that we will ultimately face down the road as water
23 districts and other systems look at alternative sources
24 outside the basin.

1 They also seemed to think that they
2 could serve as an entity to enhance the utilization of the
3 Kentucky River main stem as a water source and work with
4 agencies such as ours to maintain the integrity and the
5 availability of the supply.

6 I don't know. I had thought that they
7 might want to transition into the agency that would endorse
8 inter-connectivity among systems. There didn't seem to be a
9 lot of support for that in general other than for those cases
10 where there was a supply that definitely needed additional
11 water and they might be adjacent to a municipality or a
12 treatment entity that could supply that water.

13 So, I guess it's yet to be seen how the
14 Bluegrass Water Supply Commission will move on in the future,
15 but we will participate in that process. They haven't had
16 another full Board meeting that I've attended. Bill Grier
17 probably attended the last full meeting.

18 Do the Board members have any other
19 business they want to bring up today?

20 MR. DAY: I'd like to ask a question.
21 Since I missed the last meeting, I don't know what might have
22 happened. What became of the issue of the City of Winchester
23 getting water from the river?

24 CHAIRMAN WARE: R.C., I think they

1 fully intend to develop treatment capability for additional
2 withdrawal from the Kentucky River.

3 MAYOR MILLER: They're in the process
4 of--I'm assuming when it's submitted to the Division of Water
5 for their approval, they're going to build a new plant on
6 Lower Howard's Creek, about twelve, thirteen, fourteen
7 million gallons a day.

8 MR. CHRISTOPHER: Less than fifteen
9 million.

10 MAYOR MILLER: Eventually it will be
11 the plant along with a new wastewater treatment facility.

12 MR. DAY: So, they'll have to pay the
13 withdrawal fee.

14 CHAIRMAN WARE: Now, Winchester is one
15 of those odd ducks that withdraw their water from our basin
16 but they discharge into the Licking Basin. So, that's just
17 kind of a reverse of that--I guess it is an inter-basin
18 transfer to some extent.

19 MR. DAY: That will help Magoffin
20 County.

21 MR. MORSE: And they're getting out of
22 paying the Tier II fees? They're going to put their intake
23 into the creek directly?

24 MR. REEDER: That's a good question,

1 Don.

2 MR. MORSE: Is that what their plan is?

3 MAYOR MILLER: I don't know where the
4 intake will be.

5 CHAIRMAN WARE: Gosh, it would have to
6 be essentially in the main stem of the river, though.
7 They're not going to access that much water from a tributary.

8 MR. MORSE: Yeah, but that's the game
9 some of these people play. They tap onto the backwater from
10 the river and the mouths of these creeks; and if they've got
11 a geographic location, it helps them avoid the fee.

12 MR. HANEY: Well, that backwater is
13 part of the river, isn't it?

14 MR. MORSE: I think it is but not
15 according to our statutes.

16 MR. HANEY: Pardon?

17 MR. MORSE: Not according to our
18 statutes and regs.

19 MR. REEDER: Even though the dam is
20 responsible for the backwater, we don't get credit for it.

21 MR. MORSE: You've got the same sort of
22 question at Owenton. All it is is backwater from the river,
23 but they don't pay the fee on the river.

24 MR. REEDER: Which wouldn't be there if

1 it wasn't for the dam at Lockport.

2 MR. DAY: So, if they get the water
3 from the tributary---

4 MR. MORSE: If it's not technically in
5 the main stem of the river, then, we can't charge them a fee.

6 MR. DAY: Any fee at all?

7 MR. REEDER: Tier I.

8 MR. MORSE: You can't charge the Tier
9 II fee.

10 CHAIRMAN WARE: And what is the main
11 stem of the river defined as?

12 MR. REEDER: It has no real definition.
13 It has no real definition.

14 CHAIRMAN WARE: I think we could do a
15 hydrologic analysis that would support our position on a main
16 stem withdrawal.

17 MR. REEDER: The only definition with
18 the main stem is the linear miles and the mile points on the
19 river itself.

20 MR. HANEY: Where do they get the
21 authorization for their decision they make?

22 MR. MORSE: As to where to put their
23 intake?

24 MR. HANEY: Yes.

1 MR. MORSE: They've got to go through
2 the permitting process with the Division of Water.

3 CHAIRMAN WARE: And it's got to be
4 based on the low-flow availability and that's got to be based
5 on---

6 MR. HANEY: Who originally defined the
7 backwater? Who originally said the backwater isn't part of
8 the river? What authorization exists for that?

9 MR. MORSE: You're either on the
10 tributary or in the river, one of the two. And if you're in
11 the tributary, you can't be in the river.

12 MR. REEDER: You're in the geographic
13 limits of the creek or you're in the river.

14 CHAIRMAN WARE: I would think the
15 source water could be easily defined as that that's available
16 in the main stem of the Kentucky River.

17 MR. REEDER: We had this discussion
18 with Carrollton, you remember.

19 CHAIRMAN WARE: Yes, but that was early
20 on. They kind of were looking for a grandfather clause in
21 their situation and they were trying to say the lock they
22 were getting was from the Ohio River, slack water.

23 MR. HANEY: As a possibility, can we
24 get legislation and have the River Authority get authority

1 over the backwater?

2 MR. DAY: There's more of them than
3 there are of us. So, they would probably beat you.

4 MR. HANEY: I don't know about that.

5 CHAIRMAN WARE: I just say under the
6 circumstances, it could easily be shown that hydrologically
7 what they are accessing is main stem water.

8 MR. REEDER: I don't think you could
9 have a plant like that in a tributary anyway.

10 CHAIRMAN WARE: I personally wouldn't
11 be too concerned about that right now.

12 MR. REEDER: It's a good question,
13 though.

14 CHAIRMAN WARE: Any other business
15 anybody wants to bring up? Any members of the audience?
16 John Mark, do you have anything?

17 MR. DAY: Why don't you introduce our
18 guest.

19 CHAIRMAN WARE: I know John Mark from
20 way back when. What are you doing, Mr. Hack, at this
21 particular point in time?

22 MR. HACK: I direct Governmental
23 Affairs for Kentucky American Water. I'm just here as a
24 friendly observer. And we obviously have a vested interest

1 in what you all do, and we want to be as supportive as we can
2 for Winchester and the River Authority and the Bluegrass
3 Water Supply Commission and anybody else.

4 CHAIRMAN WARE: Thank you. We were
5 going to meet in December, but that's been canceled. Our
6 next meeting, probably our final meeting of the year will be
7 November 19th. So, put that on your calendar.

8 We will probably meet for most of the
9 day. So, just try to block off say eleven o'clock on. And
10 Sue Ann will be in touch with you as far as a location and
11 further details.

12 MR. REEDER: We will also elect
13 officers at that meeting since that will be the last meeting
14 of the year, officers for the '09 calendar year.

15 CHAIRMAN WARE: You all be thinking
16 about how you want to structure that because this is my third
17 year as Chairman and I'm off after this year. So, if you
18 have any suggestions, discuss it among yourselves or get some
19 information to Steve or whatever.

20 Other than that, I guess we can adjourn
21 this meeting. I'll entertain a motion to adjourn.

22 MAYOR MILLER: So moved.

23 MR. HANEY: Second.

24 CHAIRMAN WARE: We're adjourned.

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(MEETING ADJOURNED)

STATE OF KENTUCKY
COUNTY OF FRANKLIN

I, Terri H. Pelosi, a notary public in and for

the state and county aforesaid, do hereby certify that the foregoing pages are a true, correct and complete transcript of the proceeding taken down by me in the above-styled matter taken at the time and place set out in the caption hereof; that said proceedings were taken down by me in shorthand and afterwards transcribed by me; and that the appearances were as set out in the caption hereof.

Given under my hand as notary public
aforesaid, this the 28th day of October, 2008.

Notary Public
State of Kentucky at Large

My commission expires February 10, 2009.